
To the Town Council and
School Board of
the Town of Winthrop:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Winthrop, Maine as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Winthrop, Maine's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Winthrop, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Winthrop, Maine's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of other matters that are opportunities for strengthening internal controls and operating efficiency. The attached schedule summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated _____ on the financial statements of the Town of Winthrop, Maine.

The Town of Winthrop, Maine's responses to the comments identified in our audit are described in the accompanying schedule of comments and responses. The Town of Winthrop's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Town Council and School Board, and others within the Town, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the cooperation and assistance we received from the officials and employees of the Town of Winthrop, Maine during the course of our audit. We will review the status of these comments during our next audit engagement. We have already discussed these issues with various Town and School Department personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations.

Sincerely,

TOWN OF WINTHROP, MAINE
Schedule of Comments and Responses
June 30, 2022

Other Comments

Segregation of Duties

Criteria: Fundamental to proper internal controls is the division of duties in such a manner that no single individual handles transactions completely from beginning to end. Appropriate segregation of duties helps to detect errors in a timely manner and deter improper activities.

Condition: Although the Town and School Department have sufficient segregation of duties in the central offices, there is still a lack of segregation of duties at the individual schools.

Cause: Because of the limited number of employees, appropriate segregation of duties is not always possible.

Effect: Certain functions ideally performed by separate individuals cannot be accomplished and therefore internal accounting controls are not as strong as they might otherwise be.

Recommendation: Every effort should be made to segregate duties in sensitive areas such as those that involve transactions with liquid assets. We suggest the cautious review of financial transactions and monthly financial reports by the School Board to identify possible financial fluctuations of an unusual nature.

Management's response/corrective action plan: *The school department has restructured our duties by sharing a Finance Director that is shared with the Town. This may not completely eradicate this situation, but should make the segregation of duties somewhat better.*

School Department Cash Disbursements

During our testing of School Department cash disbursement procedures, we judgmentally selected forty disbursements to test. Of those forty disbursements, one disbursement was missing an approved purchase order, one disbursement was missing an invoice, and a third was charged to the incorrect expenditure line. In order to improve internal controls over disbursements, the School Department should ensure that all disbursements have the required documentation and charged to the correct expenditure lines.

Management's response/corrective action plan: *The school Board continues to have multiple layers of the approval process so that we have multiple opportunities to catch any and all errors in cash disbursements and payroll. Recently we had a training with members of the School Board.*

School Activity Funds

As part of our audit procedures, we tested controls surrounding activity fund transactions for the Middle School and High School. During our testing, we found the following weaknesses:

- High School Cash Receipts – Of the forty transactions selected for testing, six receipts were missing signed activity slips. In addition, there was one receipt that was missing all supporting documentation.
- High School bank reconciliation – There are several old, outstanding items listed on the bank reconciliation that date as far back as 2014.
- Middle School account balances – We noted two student group accounts that had beginning balances that differed from the prior year's ending balances and several student group accounts that had balances in the prior year but had zero beginning balances in the current year.
- Middle School bank reconciliation – There continues to be a \$3,200 difference between the bank reconciled balance and the total of all of the student groups combined.

TOWN OF WINTHROP, MAINE
Schedule of Comments and Responses, Continued

Other Comments, Continued

In order to strengthen internal controls over activity funds and address the weaknesses above, we make the following recommendations:

- Bank reconciliations should be compared to the total of all student accounts to ensure all activity on the bank statement has been assigned to the correct accounts.
- Any old, outstanding items on bank reconciliations should be investigated and depending on the circumstances, uncashed checks should either be voided and reissued or submitted to the State as unclaimed property.
- Each person responsible for the activity funds should ensure that the beginning balance for each student account that is carried forward to the next fiscal year agrees with the ending balance from the prior fiscal year.
- The custodian for the activity funds should avoid posting activity back to the prior fiscal year and instead account for any unrecorded receipts or disbursements in the current year. Any accounts that are closed should be treated as current year transfers.
- Each person responsible for the activity funds should ensure that sufficient third-party documentation, such as a deposit slips or signed receipt forms, are retained when collecting funds.
- All activity relating to student activities should be posted into the respective accounting system, and accounts should be reconciled in a timely manner, at least monthly.

Management's response/corrective action plan: These finding will be shared with each school. Much of this can be corrected, but we will likely continue to not meet the expectation for managing School Activity funds due to a lack of staff to fully delegate responsibilities.